

TESTIMONY PRESENTED TO THE APPROPRIATIONS COMMITTEE
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Testimony Regarding House Bill No. 6825

AN ACT MAKING DEFICIENCY APPROPRIATIONS AND ADDRESSING THE DEFICIT FOR
THE FISCAL YEAR ENDING JUNE 30, 2015

Good afternoon Senator Bye, Representative Walker and distinguished members of the Appropriations Committee, and thank you for the opportunity to offer testimony on House Bill No. 6825, An Act Making Deficiency Appropriations and Addressing the Deficit for the Fiscal Year Ending June 30, 2015.

This bill makes deficiency appropriations and transfers funds to address the deficit for FY 2015 projected as of January 20, 2015. On April 20th, my office issued its latest monthly forecast which projects shortfalls in eight agencies:

1. Department of Social Services. Inclusive of administrative actions to reduce the deficiency, a net Medicaid shortfall of \$108.0 million is projected due to additional hospital cost settlements; the likelihood of not achieving the full savings levels incorporated in the budget for the medication administration, step therapy, and fraud initiatives; and revisions to the federal cost share for a small percentage of Medicaid clients who will be reimbursed at 50 percent as opposed to the originally anticipated 100 percent level.
2. Department of Emergency Services and Public Protection. A total shortfall of \$5.0 million is projected in Personal Services after accounting for April Finance Advisory Committee transfers to resolve shortfalls in the Other Expenses and Workers' Compensation Claims accounts.
3. Department of Agriculture. A shortfall of \$380,000 is projected in Other Expenses for animal care costs due to a recent seizure of neglected animals.
4. Department of Correction. A total shortfall of \$4.9 million is projected in Personal Services after accounting for April Finance Advisory Committee transfers to resolve shortfalls in the Other Expenses and Workers' Compensation Claims accounts.
5. Department of Transportation. A net shortfall of \$18.0 million, with \$5.0 in the Rail Operations account related to operational costs associated with

Metro North Railroad, and \$13.0 million in Personal Services after the March Finance Advisory Committee transfer to address winter-related Other Expenses overruns.

6. Public Defenders Services Commission. A total shortfall of \$6.0 million is projected in Personal Services, after accounting for March Finance Advisory Committee transfers to resolve shortfalls in the Assigned Counsel – Criminal and Expert Witnesses accounts.
7. Comptroller – Fringe Benefits. In the General Fund, a \$17.0 million shortfall in the Retired Employee Health Service account is anticipated due to claims costs that are trending above budgeted levels. Note that this sum is net of lapses anticipated in several other fringe benefit accounts. In the Special Transportation Fund, a \$2.4 million shortfall is projected in active employees' health care costs.
8. Comptroller – Miscellaneous. An \$8.5 million deficiency is anticipated in the Adjudicated Claims account, including the proposed settlement for a wrongfully convicted individual.

In addition to making deficiency appropriations and de-appropriating funds to ensure the Fiscal Year 2015 budget remains under the spending cap, HB 6825 includes several fund transfers to help address the projected \$121.2 million General Fund deficit:

- \$9.4 million from the Biomedical Research Trust Fund,
- \$15.2 million from the Community Investment Account, and
- \$12.7 million from the Municipal Revenue Sharing Account.

In conclusion, please note that the deficiencies described today are based on the latest information available. House Bill 6825 represents shortfalls as we projected them back in January. As is the case each session, this bill will require amendment to reflect updated deficiency projections. The Office of Policy and Management is prepared to work with the Appropriations Committee and the Office of Fiscal Analysis to revise this bill accordingly.

I would like to again thank the committee for the opportunity to present this testimony. Agency representatives are here today to provide more in-depth information regarding projected shortfalls, but I am happy to answer any questions you may have.